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TO: Green Mountain Care Board

RE: Comments on AHEAD's Methods for Vermont Hospital Global Payment Program

FROM: Julie Wasserman, MPH

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The AHEAD methodology for the Vermont Hospital Global Payment Program is complicated, convoluted, and cumbersome. In a word, it defies logic, and does not directly address Vermont's most pressing problems of access and affordability. AHEAD will lead to greater fragmentation of Vermont's health care system.

AHEAD is a byzantine approach to reducing Medicare hospital costs, and is misguided given Vermont's historically low Medicare spending. Instead, Vermont should focus on initiatives to address sky-rocketing Commercial hospital costs.

Hospitals will have separate global payments for each payer (Medicare, Medicaid, Commercial). Providers worry about the complexity and "cognitive overload" resulting from AHEAD's different budgets for different payers.

Timing of budgets presents further challenges. CMS's Medicare Fiscal Year begins October 1 and ends the following September 30th. The GMCB's Hospital Budget Review aligns with this Federal timeline although AHEAD's Hospital Global Budgets follow a calendar year.

AHEAD's Medicare FFS hospital global payments are based on historical revenues. This locks in excessive Commercial prices, extraneous costs, avoidable hospital care, and unnecessary ER utilization.

AHEAD's hospital global budgets are intended to incentivize the reduction of a) potentially avoidable hospital care, b) low value hospital care, and c) unnecessary readmissions. However, hospital global budgets are a blunt instrument to address these problems and may not have the desired effect; global budgets in and of themselves are not sufficiently precise to achieve these goals. There appears to be no mechanisms in place to measure whether these goals are met. Additionally, the potential for unintended consequences is immense. Instead, each of these problems should be individually targeted with specific initiatives.

AHEAD's myriad "adjustments" are not only bewildering but also unworkable. The 2-year lag in Total Cost of Care (TCOC) adjustments underscores this model's imprecise and ineffective methodologies.

The TCOC Performance Adjustment "Protects against shifting hospital costs to community providers without overall savings." This is the opposite of what we want. Vermont needs a model that incentivizes hospitals to work closely with their community providers to move low value care out of the hospital and into the community. This is especially true for potentially avoidable care and ER mis-utilization.

The number of Medicare beneficiaries served by AHEAD will likely be far fewer than those served in Vermont's All Payer ACO Model. With all hospitals participating, the APM served 48,303 Medicare beneficiaries at its height. (45,972 in 2022 - p.7; 47,575 in 2021 - p.7; 44,507 in 2020 - p.10; 48,303 in 2019 - p. 6; 33,865 in 2018 - p.6.) It is unlikely that all (or even a majority) of Vermont hospitals will participate in AHEAD. We must ask, "Will it be cost effective for Vermont to pursue AHEAD with all its regulatory and administrative burdens given the potentially low number of Medicare participants?"

Medicare Advantage enrollees will likely be outside the AHEAD model despite their growing number. Any attempt to include Medicare Advantage beneficiaries in AHEAD's Commercial hospital global budgets will have to contend with the variety of more than 10 different private proprietary Medicare Advantage Plans serving Vermonters.

The participation of Medicare Shared Savings Programs in the AHEAD model *doubles* spending on administrative functions (ACO and AHEAD administrative overhead). This comes at an inopportune time since scarce dollars would be better spent on service delivery and workforce enhancement.

The patient portion of hospital payments is a significant source of revenue for hospitals. However, it is excluded from AHEAD's hospital global payments. Adherence to AHEAD's mandated budget caps may result in shifting costs to co-pays and coinsurance which remain outside the cap. This will lead to higher out-of-pocket costs which comprise 12% of Vermont health care spending (p.23) and are a major determinant of affordability.

Total Cost of Care caps will not improve affordability because there is no direct connection between TCOC caps and lower health insurance premiums, co-pays, and deductibles. The former in no way ensures the latter.

Savings:

- Given Vermont is one of the lowest per capita states for Medicare spending, how will savings be realized?
- Will savings from AHEAD's Medicare Hospital Global budgets accrue to Vermonters?
- What if there are no savings? How will that affect the delivery reform investment pool?
- If there are losses, which entities will bear the brunt?
- Specifically, how will more Medicare funds flow to Vermont if we negotiate a good deal with CMMI?
- How will savings from AHEAD directly benefit Vermonters? Will these savings improve affordability?

At a recent GMCB Panel Discussion on hospital global budgets, three of the five national experts carefully selected to discuss the benefits of global budgeting admitted in response to specific questions that AHEAD does not fit Vermonters' needs.